

MEMORANDUM

**To:** Interested Parties

**From:** Office of Congressman Pete Stark (Contact: Brian Cook, 202-225-3202),  
Democratic Staff of the Committee on Ways and Means (Contact: Lauren Bloomberg or Askia Suruma, 202-226-3354)

**Date:** Wednesday, March 2, 2011

**RE:** Republican \$25 Billion Middle Class Tax Hike

**Primer on the Republicans' \$25 Billion Tax Increase on the Middle Class**

This week, the Republicans are proposing a repeal of the "1099 Provision," paid for by a \$25 billion tax increase on middle class families.

**Democrats supported repeal of the 1099 provision last year, while Republicans opposed it.** On July 30, only two Republicans joined 239 Democrats in supporting a bill to repeal the 1099 provision. There were 153 Republicans who voted against it (Roll Call Vote 514). The measure failed a 2/3 suspension vote because of the near-unanimous Republican opposition.

Now, the Republicans are proposing their own 1099 repeal bill that would be **paid for by a \$25 billion tax increase that would only be levied on families earning under approximately \$110,000 a year for a family of four.**

How the Republicans' \$25 billion tax increase on the middle class would work:

- Health reform provides tax credits that help people afford premiums. These tax credits go directly to the insurance company.
- These tax credits are calculated based on the most recently filed tax return. Families may see increases in income above the amount in their most recently filed tax return. Health reform created a reconciliation process, known as "true up," to compare the subsidy levels under the two income levels.
- The Affordable Care Act protected people with incomes below 400% of poverty (approximately \$88,000 for a family of four) from having to pay the IRS the entire difference in their tax credit if they saw a change in income.
- In December, the House passed bipartisan, responsible legislation that refined the true up policy. It implemented a graduated income approach that protects those with lower incomes, and eliminated the cliff that caused people to face massive tax increases if their income rose to more than 400% of poverty. This legislation passed the House 409-2 and was signed into law.
- **The Republican plan takes \$25 billion additional dollars from middle class families by making the "true-up" policy less responsible and removing protections from excessive tax increases for middle-class families.**
- The Republican plan raises the caps on many middle class families by \$500, and reinstitutes

a sharp cliff at 400 percent of the federal poverty level (approximately \$88,000 a year). According to the Joint Committee on Taxation, families earning between 400 to 450 percent would be forced to pay an average of \$3,000 more than under present law. Many families would pay thousands more.

For more information on how the Republican \$25 Billion Middle Class Tax Increase would work, please visit: <http://go.usa.gov/gh7>

For more information on the history of the true-up provision, please visit: <http://go.usa.gov/ghA>

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